



United States  
General Accounting Office  
Washington, D.C. 20548

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Accounting and Information  
Management Division

B-275904

August 29, 1997

The Honorable John R. Kasich  
Chairman, Committee on the Budget  
House of Representatives

Subject: Financial Management: Forest Service's Progress Toward Financial Accountability

Dear Mr. Chairman:

This letter responds to your request that we monitor the Forest Service's progress in improving the reliability of its accounting and financial data. We briefed your office on August 13, 1997, on corrective actions the Forest Service has taken as well as the key tasks it must still perform in order to ensure the reliability of its accounting and financial data. Our briefing slides are attached.

As we previously reported to you,<sup>1</sup> the U.S. Department of Agriculture (USDA) Inspector General's (IG) audit of the Forest Service's fiscal year 1995 financial statements found those statements to be unreliable due to serious deficiencies in accounting and financial data and systems. The Forest Service agreed to a three-party effort (the Forest Service, USDA's Office of the Chief Financial Officer, and the IG acting as consultant to the Forest Service) to correct the problems identified in the fiscal year 1995 IG audit report. The Forest Service goal is to demonstrate significant progress by correcting some of the deficiencies during fiscal year 1997 and to achieve financial accountability by the end of fiscal year 1999 as a result of this effort.

The Forest Service has prepared a good plan to correct its financial shortcomings and taken the initial steps in following through. Top management has created an environment to promote change and has challenged the staff to improve the agency's financial accounting and reporting. Knowledgeable staff have been involved at all levels in developing action plans, revising guidance, and implementing corrective measures, such as correcting erroneous data

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<sup>1</sup>Letter dated December 20, 1996, to the Chairman, House Committee on the Budget.

recorded in the system. Financial management has also been included as a critical element in performance standards for Senior Executive Service staff, and accountability has been established for certain tasks.

At the same time, certain major tasks remain that could impede progress if they are not finished as planned. Specifically, financial system work has been delayed, staffing issues remain unresolved, and some accounting problems still exist. Consequently, significant improvement will not occur until these matters are addressed.

The Foundation Financial Information System (FFIS), which is the new accounting system that the Forest Service expects will eliminate many of the current financial shortcomings, has encountered delays. The IG reported in June 1997 that implementation of a fully-tested FFIS by the October 1, 1997, milestone is questionable.<sup>2</sup> However, during August 1997, the USDA Acting Chief Financial Officer said that he anticipates that all necessary system designing, coding, testing, and certifying will be accomplished by October 1, 1997.

Also, the Forest Service may not have sufficient financial management staff to implement planned actions. For example, some key financial management positions in the regions and Washington office remain vacant, and the improvement effort still lacks a full-time leader. Further, until the Forest Service completes an evaluation to identify financial management workload requirements at all levels, it cannot determine if current resources are sufficient to accomplish the remaining tasks.

The Forest Service also continues to have certain accounting problems that could hamper its ability to produce reliable financial information and negatively impact future audit opinions. For example, the IG's recent consulting report identified (1) improper reporting of accounts receivable and recognition of timber revenue, (2) insufficient controls to ensure that all monies owed to the agency are identified and billed promptly, and (3) insufficient support for valuation of personal property.<sup>3</sup> The IG stated that issuance of interim directions and written guidance should facilitate improved accountability over these accounts.

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<sup>2</sup>Implementation of the Foundation Financial Information System (USDA/OIG-A-50801-2-FM, June 1997).

<sup>3</sup>Interim Report on Forest Service Financial Health Taskforce Efforts to Improve Accounting Data Quality and Validate Account Balances (USDA/OIG 08801-7-At, July 8, 1997).

B-275904

If the Forest Service does not complete the remaining initiatives as planned, it is unlikely that the agency can meet its goals of demonstrating significant improvement before the fiscal year 1997 financial statement audit is complete and achieving financial accountability by the end of fiscal year 1999. In fact, it is doubtful that the Forest Service can achieve financial accountability if management and staff commitment waiver, planned tasks are not accomplished, and sufficient resources are not provided.

We conducted our work from December 1996 through August 1997 in accordance with generally accepted government auditing standards. We requested comments on a draft of this report from the Forest Service, the Office of the Chief Financial Officer, and the IG. These parties provided some clarifying comments that we incorporated into our report where appropriate.

We are sending copies of this letter to the Ranking Minority Member of your Committee; the Secretary of Agriculture; the Chief of the Forest Service; the Forest Service Director of Fiscal and Accounting Services; the Director of the Office of Management and Budget; and other interested parties. Copies will also be made available to others upon request.

We will continue to monitor Forest Service progress and periodically report to you. If you have any questions about this letter or the earlier briefing, please contact me at (202) 512-8341 or McCoy Williams, Assistant Director, at (202) 512-6906.

Sincerely yours,

A handwritten signature in cursive script that reads "Linda M. Calbom".

Linda M. Calbom  
Director, Civil Audits

Enclosure

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**GAO**    **Accounting and Information  
Management Division**

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**FOREST SERVICE**

**Briefing on Progress Towards Financial  
Health**

**August 13, 1997**

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## GAO Purpose

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To report on the Forest Service's progress in improving the reliability of its accounting and financial data

- Discuss corrective actions taken
  - Identify key tasks which remain
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## Scope and Methodology

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Focused on critical tasks that the Forest Service, USDA's Inspector General, and USDA's Chief Financial Officer agreed would demonstrate improvement

- Monitored working groups' activities
  - Examined the IG's assessment of corrective actions
  - Performed limited tests
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## GAO Background

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- In July 1996, the USDA IG concluded that the Forest Service's financial statements were unreliable.
  - In December 1996, GAO reported on how unreliable financial statements hamper the agency's and the Congress's decision-making ability.
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## Background (continued)

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- The Forest Service advised Agriculture's Chief Financial Officer that it was unable to produce auditable financial statements for fiscal year 1996.
  - The Forest Service, IG, and CFO agreed to formulate a plan to improve the agency's financial information.
  - A task force was established to develop an improvement plan.
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## GAO Background (continued)

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- In December 1996, the Task Force issued a draft report titled Actions for Improving the Financial Health of the Forest Service.
  - Teams were formed to address four main aspects of financial management.
  - The House Budget Committee asked GAO to monitor and report on the improvement effort.
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## GAO Actions Taken

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- Steps to improve financial accountability and data quality
  - Plans to address skills and resources
  - Correction of some accounting and reporting problems
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## **GAO Actions Taken - Steps To Improve Financial Accountability and Data Quality**

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- **Interim guidance was issued to correct certain accounting and reporting deficiencies.**
  - **Responsibility was established for assuring accuracy of selected accounting data.**
  - **Financial reporting standards were incorporated into agency accounting procedures.**
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**GAO    Actions Taken - Steps To Improve  
Financial Accountability and Data Quality**

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- Data are being verified and reconciled prior to conversion to new accounting system.
- Financial management has become a critical performance element for Senior Executive Service staff in program and administrative areas.

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**GAO Actions Taken - Plans to Address Skills and Resources**

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- A draft report on workforce skills and core competencies was approved in June 1997.
  - Stresses financial management training.
  - All employees will receive some level of training.
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## **Actions Taken - Correction of Some Accounting and Reporting Problems**

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- **Progress in correcting the reporting of accounts payable**
- **Progress with the cleanup of prior year reimbursable accounts and maintenance of current year accounts**

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## GAO Key Tasks Remaining

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- Correction of remaining accounting deficiencies
- Implementation of new financial system
- Resolution of key staffing issues



## **Key Tasks Remain - Correction of Remaining Accounting Deficiencies**

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- IG's findings/conclusions
- Insufficient controls to ensure that all monies owed to the agency are identified and timely billed
- Improper reporting of accounts receivable

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**GAO Key Tasks Remain - Correction of  
Remaining Accounting Deficiencies**

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- **IG's findings/conclusions (continued)**
- **Improper recognition of timber revenue**
- **Insufficient support for valuation of  
personal property**

## GAO Key Tasks Remain - Implementation of New Financial System

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- Initial implementation was postponed from April 1, 1997, to October 1, 1997.
- In June 1997, the IG reported on its evaluation of the Forest Service's new financial system and concluded that the planned October 1, 1997, implementation is questionable.

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**GAO Key Tasks Remain - Implementation of  
New Financial System**

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- IG's findings/conclusions
- Decision to scale back scope of the project may not have been made in sufficient time.
- Sufficient time was not allowed to complete the remaining work.

## **GAO Key Tasks Remain - Implementation of New Financial System**

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- **IG's findings/conclusions (continued)**
- **Major tasks still remain in the critical areas of validating and reconciling the financial data in current financial systems.**
- **Further slippage in project schedules may not allow sufficient time to complete required testing.**

## **Key Tasks Remain - Implementation of New Financial System**

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- IG's findings/conclusions (continued)
  - The project plan must be modified to perform required system certifications.
  - Anything less than complete testing of the system would subject Agriculture to unacceptably high risks and vulnerabilities.
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## **GAO Key Tasks Remain - Implementation of New Financial System**

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- **USDA's Acting Chief Financial Officer anticipates that all required tests will be accomplished by October 1, 1997.**

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## **GAO Key Tasks Remain - Resolution of Key Staffing Issues**

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- **Some key fiscal positions such as regional fiscal directors and Washington Office staff remain vacant.**
  - **The improvement effort lacks a full-time leader.**
  - **An evaluation to identify workload requirements at all levels involving management and finance-related responsibilities has not been completed.**
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## GAO GAO's Conclusions

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- Management commitment is evident but much remains to be done.
  - Further schedule slippage could seriously undermine the success of improvement efforts.
  - Given the extent of the remaining efforts, GAO believes the Forest Service will be challenged to achieve all of its planned tasks by the end of fiscal year 1998.
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## **GAO GAO's Conclusions (continued)**

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- **Achieving financial health is doubtful if**
  - **management and staff commitment waiver,**
  - **planned tasks are not accomplished, and**
  - **sufficient resources are not supplied.**
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